

[REDACTED]

[REDACTED]
[REDACTED]
[REDACTED]

FEB 25 1983

Dear Applicant:

We have considered your application for recognition of exemption from Federal income tax under section 501(c)(6) of the Internal Revenue Code.

The information submitted indicates that you were incorporated under the State of [REDACTED] Non-Profit Corporation Act on [REDACTED]. The purpose for which you were organized are: A. To promote and publicize [REDACTED] and its place and status in [REDACTED] County, [REDACTED]; B. To encourage a spirit of cooperation among members of the Association; C. To establish and develop cooperative advertising and execute promotional programs and other activities to advance the general welfare of the Center; and D. To foster favorable public relations for the center with the various communities, organizations and agencies served by the center.

You described your activities as being: (a) to promote cohesiveness among the merchants of [REDACTED], as well as to keep them aware of the promotional and advertising programs that are planned for the entire entity known as [REDACTED]. Toward that end, an in-house newsletter is hand-delivered regularly and monthly meetings are scheduled, (b) The organization of the aforementioned promotional and advertising programs; and (c) designating the parameters for advertising and public relations efforts.

Article II of your by-laws indicate that you have two classes of members, designated as "voting" and "affiliate" members.

Voting members are defined as "Each and every retail business establishment leasing retail space for conducting its business in [REDACTED] shall automatically be members as required by its lease with the Center owner. [REDACTED], as owner of the Center, shall be a full member of the association, and in such capacity shall have the right to attend and participate in all general and directors meetings, and functions of the association.

An Affiliate Member is such entity, organization or business as may from time to time be admitted to membership by vote by the board of directors.

Initiator

Reviewer

Reviewer

Reviewer

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Reviewer

Your by-laws provide that all advertising conducted by the association shall be for the benefit of the Center as a whole. No part of the association fund shall be used for advertising which is intended to promote sales of any individual member. Furthermore, the association shall not perform any advertising services for individual members or act as an agent to place advertising for individual members, whether or not the cost thereof shall be reimbursed to the association.

Section 501(c) of the Code describes certain organizations exempt from Federal income tax under section 501(a) and reads, in part, as follows:

"(6) Business leagues, chambers of commerce, real estate boards, boards of trade, ***, not organized for profit and no part of the net earnings of which inures to the benefit of any private shareholder or individual."

Section 1.501(c)(6)-1 of the regulations provides as follows:

"A business league is an association of persons having some common business interest, the purpose of which is to promote such common interest and not to engage in a regular business of a kind ordinarily carried on for profit. It is an organization of the same general class as a chamber of commerce or board of trade. Thus, its activities should be directed to the improvement of business conditions of one or more lines of business as distinguished from the performance of particular services for individual persons. An organization whose purpose is to engage in a regular business of a kind ordinarily carried on for profit, even though the business is conducted on a cooperative basis or produces only sufficient income to be self-sustaining, is not a business league. ***"

Revenue Ruling 73-411, 1973-2 Cumulative Bulletin 11, provides that a shopping center merchants' association whose membership is restricted to and required of the tenants of a one-owner shopping center and their common lessor, and whose activities are directed to promoting the general business interests of its members, does not qualify as a business league or chamber of commerce under section 501(c)(6) of the Code. The ruling, in denying exemption, held that because of the restricted nature of the membership, which is limited solely to the owner and tenants of the single real estate facility comprising the shopping area, the organization also lacks the essential elements of public representation with respect to its membership and the "community" it purportedly serves which is characteristic of organizations commonly accepted as being chambers of commerce or similar organizations. It further provided that both the compulsory membership feature of the organization and the limitation of its membership to the tenants and owner of the center are directly related to the owner-tenant relationship of the parties comprising the organization and are designed to serve the owner's individual business interests in the operation of the center. The

organization's activities thus include those of a landlord-tenant association and as such directly assist the owner in facilitating the management and operation of his real estate enterprise.

Based on the information submitted, it is held that you are organized and operated like the organization described in Revenue Ruling 73-411. Since your membership is limited to the tenants of [REDACTED], you lack the essential element of public representation which is characteristic of chambers of commerce or like organizations. Secondly, tenants of [REDACTED] are required to be members of your association. You therefore, are directly involved in the over-tenant relationship between the [REDACTED] and your members and are serving the [REDACTED]'s business interest in the operation of the Center. Accordingly, it is held that you do not qualify for recognition of exemption from Federal income tax under section 501(c)(6) of the Code.

You are required to file an annual Federal income tax return on Form 1120.

If you do not agree with these conclusions, you may, within 30 days from the date of this letter, file in duplicate a brief of the facts, law, and argument that clearly sets forth your position. If you desire an oral discussion of the issue, please indicate this in your protest. The enclosed Publication 892 gives instructions for filing a protest.

If you do not file a protest with this office within 30 days of the date of this report or letter, this proposed determination will become final.

If you agree with these conclusions or do not wish to file a written protest, please sign and return Form 6018 in the enclosed self-addressed envelope as soon as possible.

If you have any further questions, please contact the person whose name and telephone number are shown at the beginning of this letter.

Sincerely yours,

[REDACTED]
District Director

Enclosures:
Publication 892
Form 6018